



# Hibbs Brief

*Hibbs Institute for Business & Economic Research*

## One of the Magnificent Seven is Coming: Amazon Arrives in East Texas

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In this edition of the [Hibbs Brief](#), we share some details on the arrival of Amazon, one of the most successful companies in recent years, to East Texas. We also estimate the economic impact of this retail and technology giant's local investment and its potential effect on the regional labor market and overall economy.

### Amazon and the Magnificent Seven

Amazon is considered one of the "Magnificent Seven." The term, originally the title of the 1960 Western film was repurposed in 2023 by analyst Michael Hartnett to refer to seven high-performance and influential companies in the technology sector. He coined the phrase while commenting about this powerful group commonly recognized for its market dominance, technological impact, and influence on current economic trends and consumer behavior.<sup>1</sup>

#### The Magnificent Seven:

- Alphabet (Google)
- Amazon
- Apple
- Meta Platforms (Facebook, Instagram, Whatsapp, Messenger, etc.)
- Microsoft
- NVIDIA
- Tesla

Amazon was officially founded in 1994 under the name Cadabra (as in abracadabra) by Jeff Bezos in Seattle, Washington. After a few months, Bezos changed its name to Amazon due to Cadabra's similarity to the word "cadaver." Initially, Amazon offered books on the internet and progressively expanded to include music, videos, and video games in the late 1990s and many different products in the 2000s. During the 2010s, the company experienced aggressive global expansion and developed relevant technological advances, such as Alexa, one of the first

voice-activated devices. Additionally, Amazon Prime Video emerged as a major player in streaming, competing with Netflix. By the end of the decade, Amazon was delivering billions of packages annually and had established one-day delivery as a standard in logistics innovation. The COVID-19 pandemic accelerated Amazon's growth, as consumers relied heavily on online shopping and cloud services. The company continued to expand its logistics infrastructure, invest in robotics, and open numerous fulfillment and delivery stations worldwide. Today, Amazon is one of the most valuable companies globally, with offices and facilities around the world employing more than 1.5 million people worldwide, of which nearly one million work in the U.S.<sup>2</sup>

### Amazon Business Activities

Amazon takes advantage of the internet and e-commerce to develop its business model. This model aims to maximize customer convenience and is based on three value propositions: low price, fast delivery and a wide selection of products. Although Amazon has several revenue streams, such as subscriptions, advertising and web services, delivery services are among its most important business activities. That is why the company is committed to developing, maintaining, and expanding its platform, and excelling in the management of the supply chain, storage and logistics.<sup>2</sup>

Amazon uses a highly efficient distribution system and is known for its short and reliable delivery times. To support its extensive logistics network, Amazon has built numerous regional facilities that operate across the country (warehouses, delivery stations and distribution centers). Since Amazon's commercial activities keep growing, the need for more of these regional facilities increases every day.<sup>3</sup>

These are some of the main types of facilities developed by Amazon:

### Fulfillment Centers (FCs):

Massive facilities that store inventory and process customer orders. They carry a large inventory of products; operate advanced robotics and automated systems for picking, packing and shipping items; and manage a high-volume capacity.

### Sortation Centers:

Receive packages from FCs, organize them by delivery destination for efficient transportation, and enable same-day and next-day deliveries through faster routing to delivery stations or third-party carriers.

### Delivery Stations:

The final stop in Amazon's supply chain before packages are delivered to customers. They receive packages from sortation centers and are focused on "last mile" delivery to homes and businesses.

### Robotics Fulfillment Centers:

Specialized centers equipped with Amazon's robotics technology to increase their efficiency. They utilize robots to bring shelves of items to workers and focus on high-speed order processing with reduced reliance on manual labor.

The increase in business volume reached by Amazon over the past few years, particularly after the pandemic,<sup>4</sup> has ramped up its delivery infrastructure. In 2024, Amazon planned to develop at least 170 new distribution facilities nationwide, including 103 package delivery stations and 21 small fulfillment centers.<sup>5</sup>

Texas, with its growing economy, houses several new Amazon facilities in multiple cities. For instance, two fulfillment centers began operations in 2020 and 2021 in San Antonio, creating approximately 1,500 jobs; two fulfillment centers in the Houston area opened in 2020, expecting to fill 4,000 jobs (3,000 in Katy and 1,000 in Richmond); and additional centers are expected in many other cities, including Waco, Lubbock, San Marcos, El Paso, Pflugerville and, very recently in Tyler.<sup>6</sup>

### Amazon in East Texas

Amazon has begun to build a new delivery station in East Texas. In November, the Tyler Economic Development Council announced the sale of 30 acres in the North Tyler Commerce Park to Amazon (Figure 1). Amazon is

developing a new 140,000-square-foot facility, set to begin operations as a Delivery Station in approximately nine months.<sup>7</sup>

**Figure 1. Location of the New Amazon Facility in the North Tyler Commerce Park**



Source: Tyler Economic Development Council.

The center will help power the last mile of Amazon's fulfillment process by enabling fast, everyday delivery directly to the customers' doorstep. Packages are transported to delivery stations from Amazon fulfillment and sortation centers, and then employees process customer packages for last-mile delivery.<sup>7</sup>

The facility investment is expected to be approximately \$50 million, and it is projected to add more than 100 full-time jobs and several hundred part-time jobs over the next few years. Amazon did not ask for any economic incentives or tax abatements. The benefits to the region will be substantial due to a broadened tax base and a large number of jobs supported by the company's operation.<sup>7</sup>

The Hibbs Institute has estimated the economic impact of both the facility construction and the full-time jobs supported by Amazon in a year. The facility construction will produce an impact of **\$75.1 million** and will generate **377 jobs** (direct, indirect and induced)<sup>8</sup> during the construction period in Smith County.<sup>9</sup>

Although Amazon projects to hire more than 100 full-time jobs and several hundred part-time jobs, we limited our analysis to 100 full-time jobs for now. We will be able to conduct a more thorough analysis within a few months once the company begins operating and we can get actual data. The 100 full-time employees at Amazon<sup>10</sup> will generate an

economic impact of **26 additional jobs and \$4.4 million** within a year in Smith County, with a total fiscal revenue of **\$0.6 million.**<sup>9</sup>

The economic benefits derived from Amazon's activities are expected to be substantial for Smith County and the overall East Texas region's economy. Although this is only a brief analysis conducted using on-hand projections and some assumptions, the results are considerable and promising. In the end, Amazon's decision to set up a Delivery Station in the region is one example of many companies that are

including Tyler and the overall East Texas in their business expansion plans. These economic development projects translate into more jobs and more business activities, which are essential for promoting regional growth and enhancing the quality of life in East Texas.

Finally, we would like to thank and recognize the hard work that the **Tyler Economic Development Council** is doing to promote our region and support different companies in establishing a local branch or division in East Texas.



Source: Tyler Economic Development Council.

## End Notes

<sup>1</sup> What are the Magnificent Seven?; Investopedia.

[www.investopedia.com/magnificent-seven-stocks-8402262](http://www.investopedia.com/magnificent-seven-stocks-8402262)

<sup>2</sup> About Amazon; News Release Details.

[ir.aboutamazon.com/news-release/news-release-details/2024/Amazon.com-Announces-Third-Quarter-Results/](http://ir.aboutamazon.com/news-release/news-release-details/2024/Amazon.com-Announces-Third-Quarter-Results/)

<sup>3</sup> "Amazon Business Model"; Daniel Pereira. The Business Model Analyst

[businessmodelanalyst.com/amazon-business-model/?srltid=AfmBOoapb6Fm3bnrAvaQZ5cDir\\_slwYTqI7mahvE7btqZWrKhJI\\_WqE5](http://businessmodelanalyst.com/amazon-business-model/?srltid=AfmBOoapb6Fm3bnrAvaQZ5cDir_slwYTqI7mahvE7btqZWrKhJI_WqE5)

<sup>4</sup> "Amazon's profit soars 220 percent as pandemic drives shopping online"; Karen Weise, at The New York Times

<https://www.nytimes.com/2021/04/29/technology/amazons-profits-triple.html>

<sup>5</sup> "Amazon Planning for 16M Square Feet of New Warehouse in 2024"; Supply Chain Brain.

<https://www.supplychainbrain.com/articles/39771-amazon-planning-for-16m-square-feet-of-new-warehouse-spaces-in-2024#:~:text=Amazon%20has%20been%20ramping%20up,the%20same%20or%20next%20day>

<sup>6</sup> Various newspapers local news:

San Antonio

[www.ksat.com/news/local/2020/12/22/amazon-announces-plans-for-3-new-facilities-1500-jobs-in-san-antonio/](http://www.ksat.com/news/local/2020/12/22/amazon-announces-plans-for-3-new-facilities-1500-jobs-in-san-antonio/)

Houston

[www.ksat.com/news/local/2020/12/22/amazon-announces-plans-for-3-new-facilities-1500-jobs-in-san-antonio/](http://www.ksat.com/news/local/2020/12/22/amazon-announces-plans-for-3-new-facilities-1500-jobs-in-san-antonio/)

[www.bizjournals.com/houston/news/2020/06/18/amazon-richmond-fulfillment-center.html](http://www.bizjournals.com/houston/news/2020/06/18/amazon-richmond-fulfillment-center.html)

Waco

[www.thecentersquare.com/texas/amazon-expanding-throughout-texas-new-fulfillment-center-in-waco-is-latest-endeavor/article\\_17543d4a-17a4-11eb-80b5-cfcbd37b2196.html](http://www.thecentersquare.com/texas/amazon-expanding-throughout-texas-new-fulfillment-center-in-waco-is-latest-endeavor/article_17543d4a-17a4-11eb-80b5-cfcbd37b2196.html)

Lubbock

[www.kcbd.com/2020/12/01/amazon-build-distribution-warehouse-lubbock/](http://www.kcbd.com/2020/12/01/amazon-build-distribution-warehouse-lubbock/)

San Marcos

[www.bizjournals.com/austin/blog/retail/2015/08/e-commerce-giant-to-hire-1-000-in-new-san-marcos.html](http://www.bizjournals.com/austin/blog/retail/2015/08/e-commerce-giant-to-hire-1-000-in-new-san-marcos.html)

El Paso

[kfoxtv.com/news/local/amazon-bringing-fulfillment-center-more-than-700-jobs-to-el-paso-in-2021](http://kfoxtv.com/news/local/amazon-bringing-fulfillment-center-more-than-700-jobs-to-el-paso-in-2021)

Pflugerville

[www.bizjournals.com/austin/news/2020/07/15/amazon-thousand-job-facility-in-pflugerville.html](http://www.bizjournals.com/austin/news/2020/07/15/amazon-thousand-job-facility-in-pflugerville.html)

Tyler

[www.kitv.com/2024/11/11/amazon-build-new-delivery-station-tyler/](http://www.kitv.com/2024/11/11/amazon-build-new-delivery-station-tyler/)

<sup>7</sup> Scott Martinez, Executive Director of the Tyler Economic Development Council in an interview with KLTU (East Texas News).

<sup>8</sup> The direct effect refers to the initial change in demand resulting from new or current expenditures or employment. Indirect effects represent all changes in regional industry activity, such as increases in production and employment that result from the direct effect. Finally, the induced effect measures the impact of household spending within a region due to changes in labor income or compensation received by workers and business proprietors for both the directly and indirectly impacted regional industries. The sum of these three effects represents the total impact.

<sup>9</sup> The IMPLAN model, a widely recognized tool for economic impact analysis, was used to conduct the estimates included in this piece.

<sup>10</sup> The assumed employment share for a warehouse and distribution center was as follows: 75% Warehouse Associates, 10% Supervisory and Lead Teams, 5% Operations Managers, 5% Maintenance and Technicians, and 5% Administrative Roles. Smith County average salaries and wages for occupations under these categories were used to conduct the impact estimates.

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